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March 3, 2006

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

RE: WT Docket No. 05-211 – Proposed Revisions To The Commission's Designated Entity
Rules - Reply Comments Of Royal Street Communications, LLC

Dear Ms Dortch:

These brief reply comments are submitted by Royal Street Communications, LLC ("RSC") in connection with the Commission's consideration of modifications to its Designated Entity ("DE") rules. For the reasons set forth below, RSC generally supports the Commission's proposed modifications restricting access to DE benefits for large in-region incumbent wireless providers. RSC opposes those alternatives proposed during the initial comment period that are intended to limit, not enhance, the opportunities for greater competition in the wireless services markets.

At the risk of sounding immodest, I believe RSC is a textbook example of how the DE program should work. I founded the company in late 2004, with the objective of acquiring licenses in Auction No. 58 ("Auction 58"), developing wireless networks in the markets in which licenses were won, and selling the capacity of those networks to retail wireless service providers and resellers. Recognizing the need to complement my own entrepreneurial background in business, finance and management, MetroPCS invested in the venture with me to add the telecommunications, particularly wireless, experience.

RSC thus went into Auction 58 well managed and well capitalized. RSC participated very actively in the Auction and, as the Commission is aware, ending up making the largest financial commitment by a single bidder, some \$293 million after the application of bidding credits. Development of RSC's new wireless networks in Los Angeles and the five markets in northern Florida is well under way. By year-end 2006, or early 2007, the competitive position that the national carriers, which now control 89 percent of wireless subscribers nationwide, have enjoyed in these markets will be challenged by a viable new competitor.

It is RSC's view, in order to enhance competition and thus improve the quality of wireless services, the Commission should use the DE program to encourage viable alternatives to the concentration of spectrum benefits in the hands of the national carriers. By the same token, the DE program should not be so restrictive that it precludes formation of companies large enough to compete effectively, especially in the major metropolitan markets, where the unmet need for competitive and affordable wireless service is perhaps the greatest.

Accordingly, it is critical that a DE be permitted to participate with a wireless provider large enough to have the requisite expertise and staffing, strong relationships with hardware suppliers and cell site providers, and the overall capacity to assist in large network development. Closing off the possibility of partnership to all but the very smallest wireless firms (as effectively suggested in the comments of one of the national providers) would effectively shut DEs out of medium and large markets, freeing the national carriers from the strong competition that firms like RSC can provide. Therefore, RSC opposes the recommendations that the proposed \$5 billion average wireless revenue benchmark be reduced to as low as \$125 million.

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By the same token, it is also important that the Commission not impose rigid and formulaic equity capital requirements or percentages on the eligible member of the DE. The Commission has consistently recognized that it should not intrude unnecessarily in the internal structures of the businesses it licenses and regulates. The suggestions that minimum and maximum equity percentages for eligible members and wireless partners be imposed and others proposing to require minimum dollar contribution amounts would have the same practical result as an artificially low cap on revenues: namely, a chilling effect on the formation of DEs willing and able to seek to challenge the national carriers in significant markets. The Commission effectively abandoned mandating equity levels years ago when it adopted the "controlling interest" standard. The Commission's current approach to equity capitalization of DEs has worked well and the Commission has ample authority to deal with any perceived abuses.

Before concluding, I do wish to bring up a practical concern that has had the effect of vitiating, at least partially, the financial benefits the DE program was designed to provide eligible participants. In the case of RSC, we made the final payment for our licenses on March 21, 2005. Yet the grant of our licenses did not become final until January 31, 2006, some ten (10) months after the close of Auction 58. From the date of our initial deposit in December 2005 to the January 31, 2006 date, we paid approximately \$90,000 a day (almost \$27 million in the ten (10) months after our final payment) in interest, at rates that realistically reflected the entrepreneurial start-up nature of our business and our lack of access to the capital markets (readily available to the national carriers). Clearly, the delay and the consequent incremental cost constituted a significant financial burden. RSC does not believe that a pre-qualification process, as suggested by one commenter, is the solution to this problem. Such a process would have the Commission expend substantial resources pre-qualifying applicants that might never be successful bidders,

To address this problem, we believe it important that the Commission accelerate post-Auction processing of license applications, with the objective of granting licenses within 60 days of the end of the Auction. To the extent the 60-day deadline is not met, we believe it would appropriate to require a refund to the applicant any actual additional interest expense incurred after the 60-day period. If the Commission determined not to grant the license, no refund for interest would be made.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Gerard", with a long horizontal flourish extending to the right.

Robert A. Gerard
Chief Executive Officer
Royal Street Communications, LLC